



Committed to the future of rural communities.

Rural Economic Development Loans (REDL)

Purpose

Provides zero-interest loans to electric and telephone utilities to promote sustainable rural economic development and job creation projects.

Eligibility and Disposition of Loan Proceeds

- Zero-interest loans can be made to any electric or telephone utility that is not delinquent on any Federal debt or in bankruptcy proceedings.
- The utility is required to re-lend, at zero-percent interest, the loan proceeds to an eligible "third-party recipient" for the purpose of financing job creation projects and sustainable economic development within rural areas. A rural area is any area of the United States not included within the boundaries of any urban area, as defined by the Bureau of the Census.
- The utility receiving the zero-interest loan is responsible for repaying the loan in the event of delinquency or default by the third-party recipient.

Third Party Recipients

Third-party recipients may be private or public organizations having corporate and legal authority to incur debt. If you are interested in a loan as a third-party recipient, you must apply to the Rural Electric Cooperative (REC) or Rural Telephone Cooperative (RTC) utility in your area.

Eligible Loan Purposes

Zero-interest loans will be provided to third-party recipients to finance projects that promote economic development and job creation in rural areas. Examples include but are not limited to:

- Business expansions and business startups, including cost of buildings, equipment, machinery, land, site development, and working capital.
- Community infrastructure necessary for economic development and job creation purposes.
- Community facilities and services necessary for economic development and job creation purposes.
- Medical facilities and equipment to provide medical care to rural residents.
- Educational facilities and equipment to provide training and job enhancement skills to rural residents to facilitate economic development.
- Business incubator projects to assist in developing emerging enterprises.

Ineligible Loan Purposes

Zero-interest loans will not be used by the utility or the third-party recipient for:

- Projects related to the sponsoring utility that would, in the judgment of Rural Development, create a conflict of interest, or present a potential for or the appearance of a conflict of interest.

- Project costs incurred by the third-party recipient prior to filing of the completed application with Rural Development.
- Refinancing or paying off any existing debt owed by the third-party recipient.
- Electric or telephone purposes related either to the utility or the third-party.
- Projects located in areas covered by the Coastal Barrier Resources Act or projects that would adversely impact the environment.
- Projects that will be used for residential purposes or entertainment purposes at the residential level.
- The purchase of an established business or operation or to primarily transfer property or real estate between owners without making substantial improvements or additions that will result in long-term job creation.
- Projects that will result in the transfer of existing employment or business activities from one area to another.

Availability of Funds and Loan Award Size

For information concerning the amount of funds available for zero-interest loans under the Rural Economic Development Loan program, as well as the maximum and minimum loan award size, please contact the Rural Development State Office.

Supplemental Financing Requirement for Third-Party Projects

- Minimum requirement - 20 percent of the amount of the zero-interest loan. Priority will be given to third-party recipient projects with greater than 20 percent supplemental financing.
- No in-kind contributions accepted as supplemental financing.

Loan Repayment Terms between the Utility and Rural Development

- The utility signs a ten-year promissory note, payable to the Government. Lesser term notes are acceptable.
- Note will carry a zero-interest rate.
- Principal repayment will be on a monthly basis.
- Deferment of principal payments may be included within the note term. The deferment period for an established third-party business will be limited to one year; for a startup business or community infrastructure project, two years.

Loan Repayment Terms between the Utility and Third-Party Recipient

- Terms will mirror those provided by Rural Development to the utility.
- The third-party recipient will provide collateral to the utility that is acceptable to the utility.
- Reasonable loan servicing fees may be charged by the utility to the third-party recipient, not to exceed one percent a year on the unpaid principal balance of the loan.

A "Complete Application" must consist of: (Refer to 7 CFR 1703.34)

- Standard Form 424, "Application for Federal Assistance" signed by the utility.
- The utility Board of Directors resolution requesting the third-party loan.
- Miscellaneous Federal forms and certifications as set forth in 7 CFR 1703.34.

- Narrative discussion of the third-party project consisting of the following:
 - "Selection Factors" as set forth in 7 CFR 1703.35
 - "Project Description" as set forth in 7 CFR 1703.36
 - Discussion regarding environmental impact of the third-party project.

Application Filing, Review, and Selection

- Applications may be filed on any official workday at any Rural Development State Office.
- A simultaneous filing must also be sent to the State single point of contact for State and local governments, if applicable.
- Application selection is competitive. Applications are awarded priority points by Rural Development based on the selection factors, and the highest-ranked applications are selected for funding.

Selection factors considered in the award process:

Some of the factors considered when making awards include:

- Nature of the project (business expansion or startup, community infrastructure, etc.).
- Direct job creation resulting from the proposed project.
- Long-term improvements in economic development resulting from the project.
- County economic conditions -- unemployment rate and per capital personal income.
- Number of long-term jobs to be created per \$100,000 of total project cost.
- Physical location of project in rural area of less than 2,500 people.
- Loan repayment ability of the third-party recipient based on its business plan.

For More Information Contact:

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